

# M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Creighton Chan, Manager

Analyst: T. Teles

Subject: ONE-STEP AGREEMENT FOR **MONTEREY MUSHROOMS, INC.**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Developed Jointly By Management And Workers Promoting California's Manufacturing Workforce
- Type of Industry: Agriculture
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 4,000
  - *In California:* 1,400
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: United Farm Workers Of America, AFL-CIO

## **CONTRACT:**

- Program Costs: \$242,424
- Substantial Contribution: \$0
- Total ETP Funding: \$242,424
- Total In-kind Contribution: \$259,096
  - *Trainee Wages Paid During Training:* \$259,096
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Monterey

## **INTRODUCTION:**

Monterey Mushrooms, Inc. (MMI), is a privately held company that was established in 1971 as a single farm operation near Watsonville, California. MMI is a producer of fresh mushrooms with a 4,000 person workforce worldwide, 1,400 of whom work at the Watsonville headquarters and at its four production facilities in California. The company is one of the few agricultural companies in the Watsonville area that employs its workers year round. Last year, its California farms produced 60-65 million pounds of mushrooms for customers such as Albertson's, Safeway, Ralph's, Raley's, and Costco.

MMI is eligible for standard ETP funding as a manufacturing company facing out-of-state competition as specified under Title 22 California Code of Regulations, Section 4416(b). The company plans to train its employees in the skills necessary to become more competitive in the market place. This training is supported by the local chapter of the United Farm Workers of America (UFW).

This is MMI's second ETP training project. The first project was developed to train employees from three California farms to move to a high performance workplace, however, the company was not able to provide all the training originally planned and only a small number of trainees completed the required hours of training. Since this was the first formal training program that MMI had undertaken, the company was unable to train as many trainees as originally planned due to difficulty in coordinating the training at the three facilities. Further, employees could not be released for training because supervisors did not have additional trained staff to cover during the time trainees were in training. This project is a continuation of the first ETP-funded project that only trained 26 percent of the planned trainees. To ensure success, the company developed this second training project to focus on only one farm and company and labor representatives have worked together to develop schedules that will take into account the production demands and coverage while employees are in training.

## **MEETING ETP GOALS AND OBJECTIVES:**

Monterey Mushrooms, Inc. proposes training that will further the following ETP goals and objectives:

- 1) This training plan was jointly developed by management and labor, meeting ETP's legislative funding priority and ETP's strategic objective of funding projects that support joint labor union-employer training ventures.
- 2) A producer of fresh mushrooms, the prospective Contractor proposes a training program that will meet ETP's legislative mandate to promote the retention of manufacturing jobs within California.
- 3) The training is targeted to meet the needs for a skilled workforce in the agricultural industry where the prospective Contractor faces competition from companies outside of California. Thus this project meets ETP's legislative mandate to foster job retention in industries threatened by out-of-state competition.

**TRAINING PLAN TABLE:**

<b>Grp/Trainee Type</b>	<b>Types Of Training</b>	<b>No. Retain</b>	<b>No. Class/Lab Videocnf. Hrs.</b>	<b>No. CBT Hrs.</b>	<b>Cost Per Trainee</b>	<b>Hourly Wage After 90 Days</b>
Job 1 Retraitees	Menu:  Continuous Improvement, Computer Skills, Business Skills, Commercial Skills, Manufacturing Skills	259	24 - 160	0	\$936	*\$11.16- \$40.03
					<b><u>Prevalent Hourly Wage</u></b> \$12.41	
					<b><u>Average Cost Per Trainee</u></b> \$936	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b>  *Health benefits of at least \$2.94 per hour will be applied to the base wage in order to meet the ETP minimum hourly wage of \$11.16 for Monterey County.					<b><u>Turnover Rate</u></b> 11%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 12%
<b><u>Other Employee Benefits:</u></b>  Represented employees: vacation, life insurance, retirement plan, and paid holidays. Non-Represented: vacation, sick leave, 401k plan, paid holidays, and tuition reimbursement.						

### **COMMENTS / ISSUES:**

#### **➤ *Frontline Workers***

Eighty-eight percent of the trainees in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee).

#### **➤ *Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

#### **➤ *Repeat Contractors***

As this training project will involve one of the farms included in the first Agreement, it will include some of the same trainees and some of the same types of training. The training in the second project will be a continuation of the first Agreement because the Company was not able to provide all the training and did not train as many employees as originally planned. To ensure success in the second training proposal, the prospective Contractor worked with union representatives to develop the curriculum topics and training schedule and MMI decided to limit the training to the one farm that had commitment to training from its managers. Also, only a few of the same trainees in the first Agreement actually participated because managers did not have coverage when trainees were in training. For the second Agreement, management in conjunction with labor representatives developed a training schedule that ensures that there is adequate coverage when trainees are scheduled to attend training. Lastly, some of same types of training will be included in this project, but MMI has restructured the training to focus on new courses that have measurable objectives and worked with union representatives to ensure that the courses meet the need of the members.

### **PROPOSED ACTION:**

Staff recommends that the Panel approve this One-Step Agreement if funding is available and the project meets the Panel priorities.

### **NARRATIVE:**

The prospective Contractor states that Monterey Mushrooms faces out-of-state competition from growers in Canada, China, Pennsylvania, and Utah, who are competing for customers by shipping their fresh mushrooms more quickly and at a price equal to or lower than Monterey Mushrooms. Competition from out-of-state mushroom producers continues to increase: the imports from farms in Canada to California alone have increased 5 to 10 percent per year for the past five years. Also, in the past three years, customers exerted significant market pressure resulting in more stringent product requirements and at the same time demanded lower prices. To respond to the new requirements, MMI is working with key customers to implement technology that will allow for tracing product in retail stores all the way back through the production process, including the supplier of the materials for making the soils required for mushroom cultivation. The intention of the new process is to have "recall" capabilities if it is ever determined that a batch of mushrooms is contaminated.

To increase production and quality, employees are being required to perform their tasks to a higher standard which requires documenting the mushroom process. In the continued effort to respond to customers demands for quality at a reduced price, Monterey Mushrooms has developed a training project that will train employees from the Royal Oaks farm which employs approximately 600 Californians and produces 36 million pounds of fresh mushrooms per year which is sold to both wholesale and retail business.

#### **Continuous Improvement**

To stay competitive, Monterey Mushrooms has to improve all its mushroom production processes. To accomplish this, employees must learn to work in self-directed teams that will implement needed changes to the production process. To enable the employees to make the required changes, they must learn best practices, quality principles and tools, and quality measurements. These skills will give the employees the ability to implement changes that will make the mushroom processing more efficient; it will ensure that final product meets customer expectations; and that the product is delivered to the customers swiftly and at reduced cost.

To ensure that the training is delivered by qualified individuals, Monterey Mushrooms proposes to provide Train the Trainer instruction to a number of managers and supervisors who will then train the other employees under this training project. A few union members who are not managers or supervisors but who have been identified as having the potential to be trainers, will also receive Train the Trainer instruction and they, in turn, will train other employees.

#### **Business Skills**

An overview of Monterey Mushrooms' customers and markets will be provided to all trainees. This information will assist the employees to better understand the needs and requirements of the customers and how their jobs affect customer satisfaction and ultimately, market share.

#### **Manufacturing Skills**

In a continuing effort to reduce costs, Monterey Mushrooms management has been implementing lean business practices, which have resulted in supervisors being responsible for larger areas with more diverse work requirements. To adjust to these conditions employees are being cross-trained in order to adapt to changing needs on the production area and to be able to move within work units to ensure coverage. This flexibility will help Monterey Mushrooms to stay competitive by reducing the processing time. In addition, Monterey Mushrooms wants to provide an overview of safety procedures for new equipment to ensure a safe environment for its workforce.

**NARRATIVE: (continued)**

**Commercial Skills**

Most of the employees in the craft positions were promoted from the mushroom processing area. In this new position, delays in equipment repair adversely affect the mushroom process which result in postponement of getting the product to market or in spoilage. The proposed commercial skills training is for journey-level craft employees who have been with the company for at least four years and have achieved journey-level status. These employees need advanced skills in heating, ventilation and air conditioning; boiler operations; electrical; hydraulics; and diesel operations to respond efficiently to the needs of the mushroom growing and processing.

**Computer Skills**

The Lawson Accounting System software has been updated. The new version has been completely re-configured and is very different from the one currently being used. Although the software has been installed, the accounting staff has not been able to utilize the updated system. The accounting staff will be trained in the Advanced Lawson Accounting System to be able to fully utilize the updated version.

***Supplemental Nature of Training***

In the first project, Monterey Mushrooms began the implementation of a formal training program to improve mushroom processing by training its employees to work efficiently with less waste and increased production. (This project will build on the first project, training frontline workers to work in teams utilizing the skills and tools necessary to implement changes in the mushroom process resulting in increased productivity at a lower cost.) Past training consisted of on-the-job training for newly hired employees and employees that change jobs or are promoted to new positions. The Company also provides training on new regulatory requirements on an as-needed basis. The training in this project represents a major initiative to establish a formal training program for the Company which will focus on one California farm and will be extended to the other Company locations in the future.

**SUBCONTRACTORS:**

Farmworker Institute for Educational and Leadership Development, Bakersfield, California. \$50,000 for the provision of classroom instruction in continuous improvement, business skills, and manufacturing skills.

inKNOWvate, Watsonville, California. \$15,000 for provision of administration services; and \$102,400 for the provision of classroom instruction in continuous improvement, business skills, manufacturing skills, commercial skills, and computer skills.

**THIRD PARTY SERVICES:**

inKNOWvate assisted in the development of the ETP application at a flat fee of \$5,000.

### PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Amount Earned		Planned In-kind Contribution	Reported In-kind Contribution
			\$	%		
ET02-0334	Watsonville	05/06/02-05/05/04	\$48,360	26%	\$175,359	\$45,593

The Contractor reported that MMI underperformed because the number of trainees that could be trained during the term was overestimated; the training targeted three farms in three different locations; and managers were not fully involved in developing the project and, therefore, did not have additional staff to cover when trainees went to training. To address these issues, the Contractor states that this new training project will focus on only one farm and that managers and union representatives were involved in developing the curriculum and training schedule.

**Monterey Mushrooms, Inc.**

MENU CURRICULUM

Job 1

Training Hours

Class/Lab

24-160 hrs.

Trainees will receive one or more of the following types of training:

Continuous Improvement

Teambuilding and Self-directed Teams

Quality Best Practices

Process Improvement, Part 2

Process Improvement, Part 1

Quality: Basic Principles and Tools

Quality Measurements

The Mushroom Production Process

Train the Trainer

Business Skills

Understanding Customers and Markets (Overview)

Manufacturing Skills

Cross Training - Frontline Production Personnel

Analyzing Safety Requirements of New Equipment (Overview)-(not to  
exceed 10% of training hours)

Commercial Skills (Advanced)

Heating Ventilation & Air Conditioning (HVAC) and Air Handler  
Maintenance

Boilers

Electrical

Hydraulics & Pneumatics

Welding & Sheet Metal

Diesel

Computer Skills

Advanced Lawson Accounting System



**UNITED FARM WORKERS of AMERICA, AFL-CIO**

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ET05-011

June 10, 2004

Dear ETP Board:

The UFW and Monterey Mushrooms are very interested in developing our members in order to keep up with the constant challenges that we are facing in the work place.

So far, it has been a very positive experience to use some ETP funding in making this worker development possible.

Once again, the UFW is in full support of future training by Monterey Mushrooms. And once again to insure the ongoing effectiveness of this training program, we would like the following points codified as part of the ETP Preliminary Agreement and the Final Agreement.

1. Portion of the training package to be delivered by FIELD.
2. The UFW-Monterey Mushrooms will participate substantively in the development and monitoring of any training provided to union members – including the development of training curricula and selection of cost effective trainers.
3. In order to allow for uniformed participation and support before the Panel, the ETP Development Analyst will provide the UFW a copy of the ETP Proposed Agreement well in advance of the date it is to be presented to the Panel for approval.
4. Periodic monitoring of the union's ongoing satisfaction with training will be built into the ETP Monitoring Analyst's regular monitoring schedule. This monitoring will include not only the normal interviews with trainees but also with the elected union leadership.

Finally, we thank the Panel for its generous consideration of the commitment of public funds for this training.

Sincerely,

Efrén Barajas  
Vice-President

Cc: file

¡Con Unión Se Vive Mejor! .

Founded by César E. Chávez (1927-1993)